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Senior Loan Officer Survey

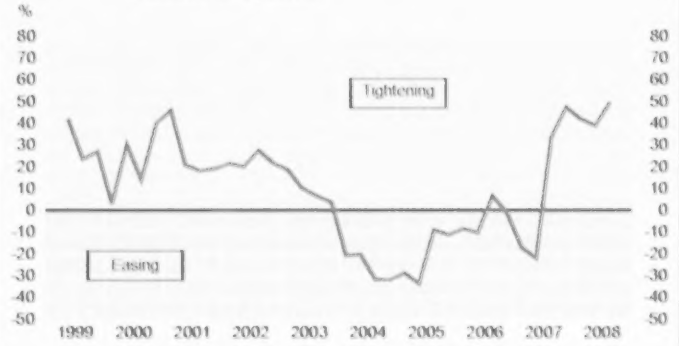
on Business-Lending Practices in Canada

Results of the Third-Quarter 2008 Survey Vol. 1.1 10 October 2008

This Senior Loan Officer Survey focused on changes in business-lending practices in the third quarter of 2008.

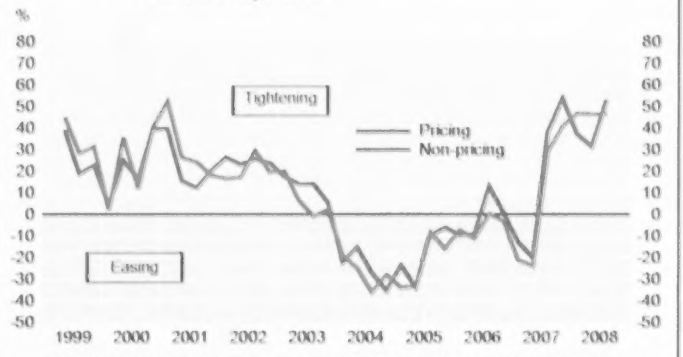
- Survey respondents reported widespread tightening in both the pricing and non-pricing dimensions of business-lending conditions.
- Respondents attributed the tightening of lending conditions mainly to the ongoing turmoil in credit markets and to concerns about the general economic outlook.
- The overall balance of opinion on credit conditions (50 per cent) was the highest since the survey began in 1999, indicating that a large portion of respondents reported tightening to all three types of business borrowers: small business, commercial, and corporate. Note that this measure indicates only the direction of the change in conditions and the amount of agreement; it does not provide any information on the magnitude of the change.
- There was a near-record shift in responses towards tighter pricing (47 per cent) and non-pricing (53 per cent) aspects of lending conditions. The non-pricing responses indicate that lenders have tightened the terms or standards for loans or are limiting the amount of funds allocated to some sectors, regions, or businesses.

Chart 1 Overall Business-Lending Conditions: Balance of Opinion*



* The balance of opinion is calculated as the weighted percentage of surveyed financial institutions reporting tightened credit conditions minus the weighted percentage reporting eased credit conditions. Thus, a positive balance of opinion implies a net tightening. The chart shows the average of the balance of opinions for the pricing and non-pricing dimensions of lending conditions.

Chart 2 Pricing and Non-Pricing Lending Conditions: Balance of Opinion*



Note: Each series is the simple average of the balance of opinions for the small business, commercial, and corporate sectors.

* The balance of opinion is calculated as the weighted percentage of surveyed financial institutions reporting tightened credit conditions minus the weighted percentage reporting eased credit conditions.

The Senior Loan Officer Survey collects information on the business-lending practices of major Canadian financial institutions. In particular, the survey gathers the perspectives of respondents on price and non-price terms of business lending and on topical issues of interest to the Bank of Canada. The survey is conducted quarterly, near the end of the quarter for which the results are reported. The third-quarter survey was conducted between 11 September and 26 September 2008. Additional information on the survey is available on the Bank of Canada's website at <www.bankofcanada.ca/en/slos/index.html>.

The survey results summarize opinions expressed by the respondents and do not necessarily reflect the views of the Bank of Canada.

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